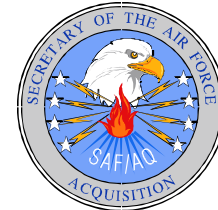






R-TOC OFFSITE SUMMARY

Col “Scoop” Cooper

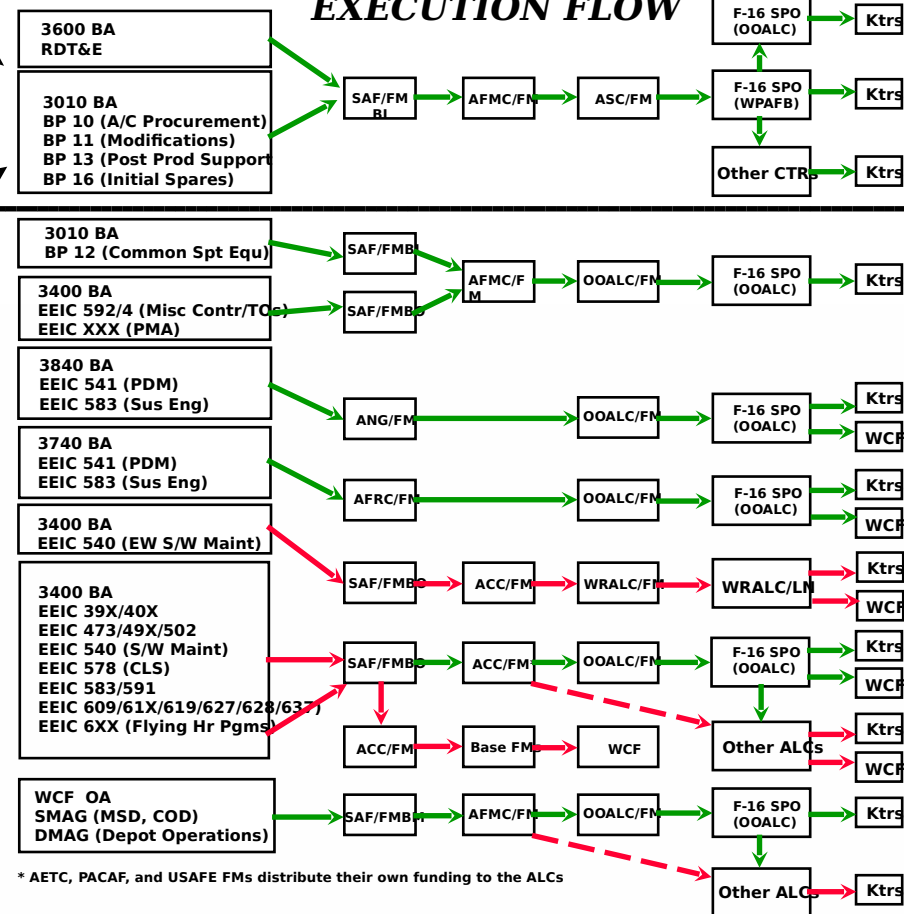


FUNDING FLOW

→ VISIBILITY
→ NO VISIBILITY

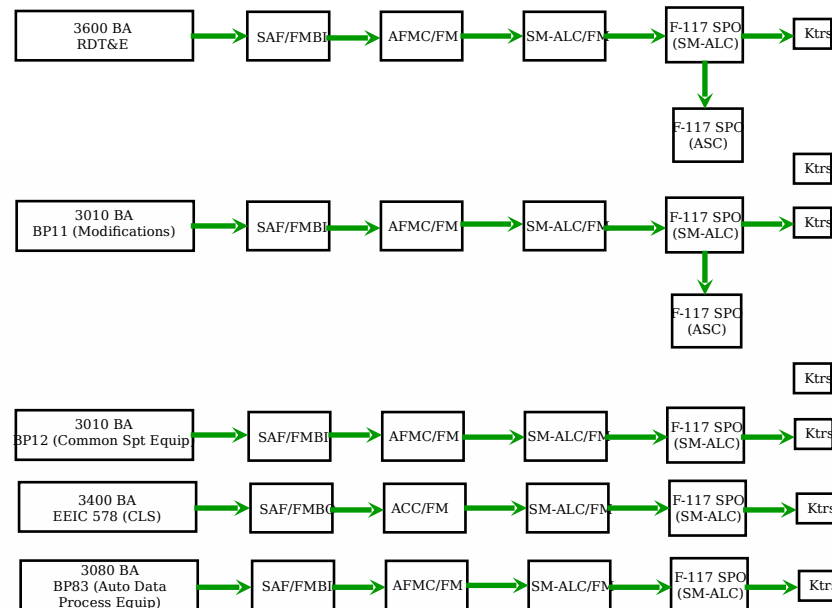
F-16 FUNDING EXECUTION FLOW

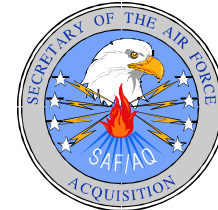
AS OF: Jan 98



F-117 FUNDING EXECUTION FLOW

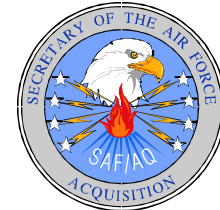
→ VISIBILITY





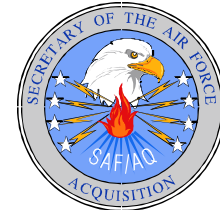
OVERVIEW

- **PILOT PROGRAM SUMMARY**
- **RECOMMENDATIONS**
- **CHALLENGES / FUTURE INITIATIVES**
- **FOCUS GROUP TASKING / ASSIGNMENTS**
- **ACTION ITEM REVIEW**



INITIAL PILOT PROGRAMS REPORT TO DSAC - 13 JULY

PILOT PROGRAM CATEGORY	PROGRAM	AVE. ANNUAL BASELINE	EST. TOC SAVINGS	TIME-FRAME FOR SAVINGS	PRINCIPLE BASIS OF SAVINGS	TOC GOAL
New	SBIRS- DSP	\$150M	\$289M DSP (taken)	6 years	DSP Post Production Support Scrub	32%
	SBIRS - H/L	\$20B (Total Cost)	\$3B SBIRS High (taken)	22 years	SBIRS High -- CAIV	15%
Production	AMRAAM	\$185.6M	Phase I \$410M (taken) Phase II \$6.2M	10 years	TSPR contract Streamlining process CAIV for Phase 3 P3I - \$55M investment for P3I	Phase I 22% Phase II 1%
Mod	B-1	\$1.2 B	\$311M	11 years	CMUP Blocks E & F Maintenance strategy changes Longlife windshield/Electrical Contactor	2.4%
Fielded	F-117	\$410M	\$170M	8 years	TSPR Contract (Stable funding) SPO Reduction	5.2%
Fielded	F-16	\$2.0B	In Work	_____	_____	_____
Fielded	C/KC-135	\$1.9B	\$104M (taken)	5 years (Pacer CRAG)	Pacer CRAG Navigator drawdown	1.1%



DSAC RESPONSE

- PDUSD (A&T)
 - **“Raised Questions About Aggressiveness of Target Savings and Timelines”**
 - **“Felt That Greater Innovation and Guidance Were Needed From Senior AF Leadership...”**
 - Process Improvements
 - “Generate Savings Comparable to Private Industry” (~20% Annually/Weapon System)
- **“AF Should Be Prepared To Brief The DSAC In January On Aggressive Targets For Both Original and Second Phase Programs”**
(DSAC Decision Memorandum, 27 July 98)



PILOT PROGRAM SUMMARY

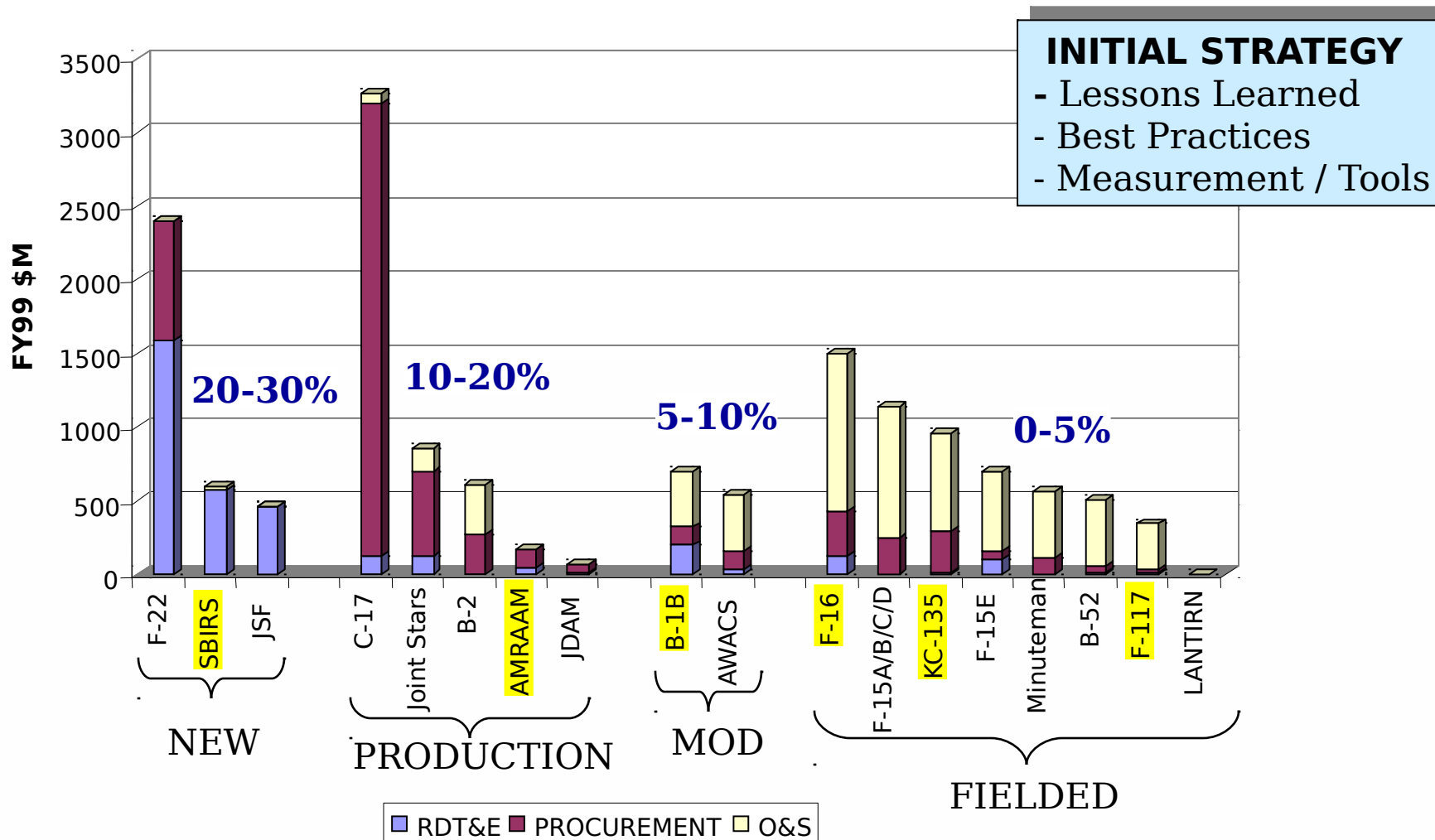
Program	Average Annual Cost	Savings (\$Millions)	Years	Percent
SBIRS	\$909	\$3,000	22	15.0%
DSP	\$150	\$289	6	32.1%
AMRAAM	\$186	\$416	10	22.4%
B-1	\$1,200	\$311	11	2.4%
F-117	\$410	\$170	8	5.2%
C/KC-135	\$1,900	\$104	5	1.1%
Total				8.8%

Assumption: Average Annual Cost remains constant

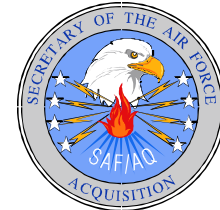
Note: \$ in Millions



PILOT PROGRAMS POINT TO LIFE CYCLE PHASE REDUCTION RANGES



Data from ABIDES based on the FY 99 Presidents budget. Projected costs for mission programs include a Active Air Force direct cost (e.g., procurement, RDT&E, MILCOM, O&M, and MILPERS) attributable to the program.



OSD AND AF GOALS

"AGGRESSIVE REDUCTIONS"

OSD PROGRAM

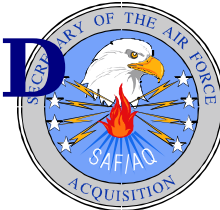
HOW DO WE GET
THERE FROM HERE?

- ACQ CYCLE TIME -- 50%
- REPAIR CYCLE TIME -- 25%
- FIELDDED SYSTEM O&S
 - 6% (FY00)
 - 10%(FY01)
 - 25%(FY05)
- \$54B - \$60B PROCUREMENT INCREASE
 - 34%-32% (FY00)
 - 31% (FY01)
 - 25% (FY05)

Annual Planning Programming Guidance (FY98)

- O&S COST REDUCTION GOALS
- 1% PER YEAR AFTER INFLATION

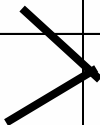
AF PROGRAM



EXPANDED PILOTS MUST BUILD ON INITIAL PILOT CONTRIBUTIONS

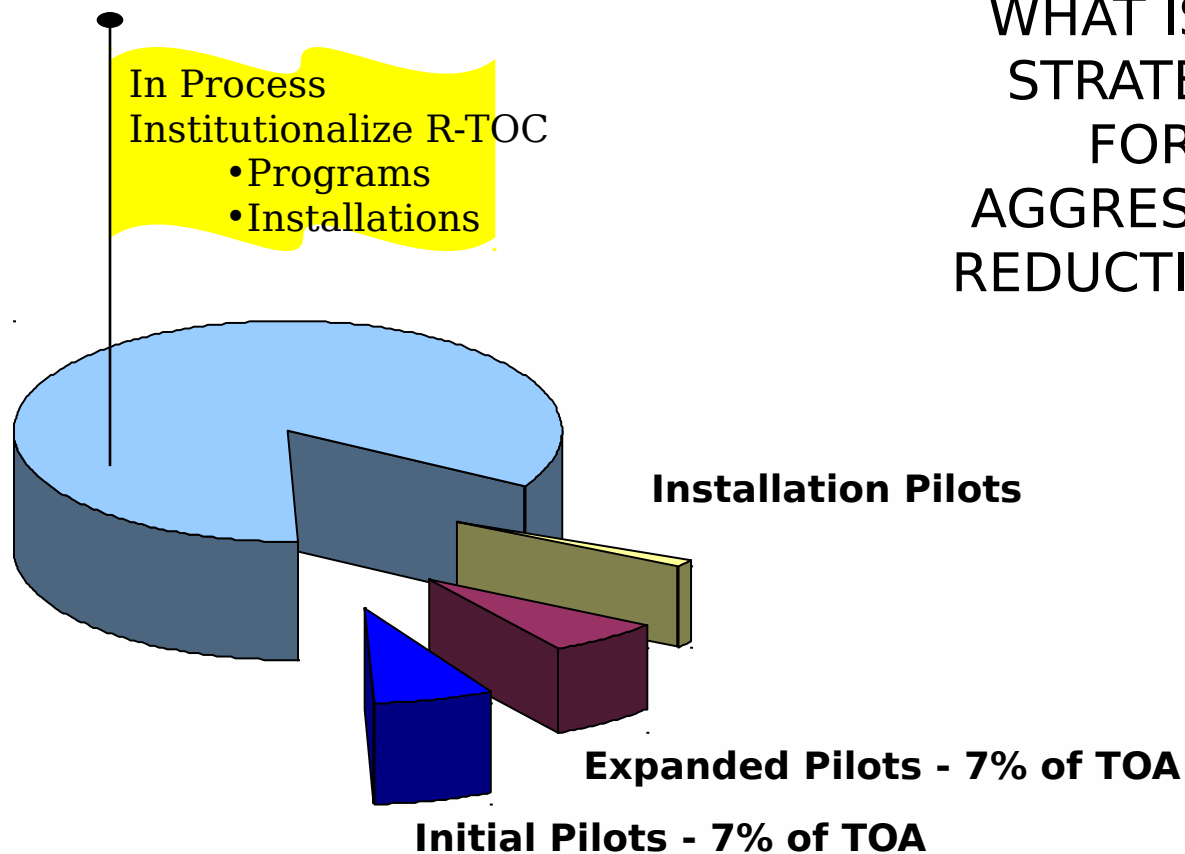
PILOT PROGRAM CATEGORY	PROGRAM	AVG. ANNUAL BASELINE	EST. TOC SAVINGS	TIME-FRAME FOR SAVINGS	PRINCIPLE BASIS OF SAVINGS	TOC GOAL
New	NGSL					30%
Production	CHEYENNE MOUNTAIN					20%
MOD	JOINT STARS					10%
Fielded	AWACS					5% (6/10/25)*
Fielded	C-17					5% (6/10/25)*
					*OSD GOALS (TBD)	8.8%

WORK IN PROGRESS





ONE SLICE OF THE AF'S TOC REDUCTION STRATEGY



WHAT IS AF
STRATEGY
FOR
AGGRESSIVE
REDUCTIONS?

OSD and AF Goals Summarized

AF Defense Systems Goals

Goal 1

Goal 2

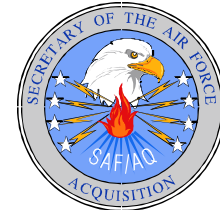
Goal 3

	Field Quality Systems Quickly			Lower Total Ownership Costs	Shift Funds for Modernization from Infrastructure and Support				
New	1.1 Reduce Acquisition Cycle Time by 50%			2.1 CAIV Goals Achieve or Surpass CAIV Targets New Starts CAIV Tgt 20-50% Below Historical Estimates for 50% of Programs	3.1 Support Annual Defense Procurement of \$54B by FY00 and \$60B by FY01	3.2 Reduce Ratio of Logistics Funding to TOA from 34% to 32% (FY00) to 31% (FY01) to 25% (FY05)	3.3 Reduce Ratio of Other Support Funding from 28% (FY96) to 26% (FY00) to 24% (FY01) to 20% (FY05)	30%	Initial Pilots
Production									20%
Mod		1.2 Reduce Logistics Response Time by 50% (i.e., from 36 to less than 18)	1.3 Reduce Repair Cycle Times for End Items and Reparables by 10% (FY00) 25% (FY01) FY97 Baseline	2.2 Reduce O&S Cost of Fielded Systems 6% (FY00) 10%(FY01) 25%(FY05)				10%	↓ + All AF Programs
Fielded									
					AF Non - Concur				



AIR FORCE R-TOC STRATEGY RECOMMENDATION

- **Given AF Position (as of 6 Oct 98) on DSAC Strategy (Draft)**
- **Build AF Strategy to Achieve Proposed OSD Goals (AF Concurs with):**
 - Acquisition Cycle Time
 - Acquisition
 - Logistics Response / Repair
 - CAIV Goals
- **Establish AF Goals and Build Strategy for Fielded System O&S Cost Reductions (Goal 2.2 and Goal 3 Areas)**



FOCUS GROUPS

R-TOC THREE DIMENSIONS

DIMENSION 1

PROGRAM

FOCUS GROUP 1: NEW OR IN PRODUCTION DEFENSE SYSTEMS

FOCUS GROUP 2: MOD/FIELDED DEFENSE SYSTEMS

DIMENSION 2

INFRASTRUCTURE

FOCUS GROUP 3: INFRASTRUCTURE

DIMENSION 3

CROSS-CUTTING PROCESS TOC

FOCUS GROUP 4: BUDGET PPBS

FOCUS GROUP 5: CYCLE TIME



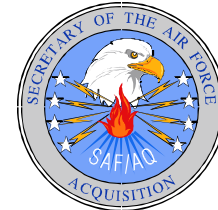
HOW WILL THIS STRATEGIC ROADMAP BE BUILT?

- **8 DECEMBER / WORKING SESSION**
 - **5 FOCUS GROUPS**
 - **NEW/PRODUCTION SYSTEM COST REDUCTION (CAIV)**
 - **FIELDIED SYSTEM O&S REDUCTION**
 - **INFRASTRUCTURE COST REDUCTION**
 - **BUDGET / PPBS**
 - **ACQUISITION/LOGISTICS CYCLE TIME**
 - **COMPOSITION**
 - **0-4/0-6**
 - **GS-12/GM-15**
 - **PRODUCT: ROADMAP THAT IDENTIFIES ACTIONS/MILESTONES TO ACHIEVE AGGRESSIVE GOALS**



HOW WILL THIS STRATEGIC ROADMAP BE BUILT?

- **9 DECEMBER / SENIOR LEADERSHIP REVIEW**
 - **SENIOR LEADER REVIEW OF INDIVIDUAL ROADMAPS**
 - **POTENTIAL**
 - **INTEGRATION OPPORTUNITIES**
 - **DISCONNECTS**
 - **PLENARY SESSION**
 - **INTEGRATED ROADMAP REVIEW**
 - **SENIOR LEADER APPROVAL**



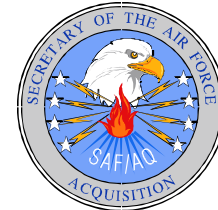
FOCUS GROUP 1: NEW/PRODUCTION SYSTEMS

- **OSD GOAL - COST AS AN INDEPENDENT VARIABLE (CAIV)**
 - **ESTABLISH CAIV GOALS 20% - 50% BELOW HISTORICAL ESTIMATES**
 - **“ACHIEVE OR SURPASS” CAIV TARGETS FOR AT LEAST 50% OF SYSTEMS IN ACQUISITION BY FY 2000**
- **TASK - DEVELOP AF STRATEGY TO ACHIEVE CAIV GOALS**
 - **ACTIONS / MILESTONES**
 - **BARRIERS / ENABLERS**
 - **PROCESS**
 - **REGULATORY**
 - **STATUTORY**
- **TEAM LEAD RECOMMENDATION: LT COL KNOX**



FOCUS GROUP 2: FIELDDED SYSTEMS

- **OSD GOAL - FOR FIELDDED SYSTEMS, REDUCE SUPPORT COST PER WEAPON SYSTEM / YEAR (BASELINE FY 1996)**
 - **FY00: 6%**
 - **FY01: 10%**
 - **FY05: 25%**
- **TASK: DEVELOP AF STRATEGY TO ACHIEVE GOALS**
 - **ACTIONS / MILESTONES**
 - **BARRIERS / ENABLERS**
 - **PROCESS**
 - **REGULATORY**
 - **STATUTORY**
- **TEAM LEAD RECOMMENDATION: COL RIEMER, F-16 SPD**

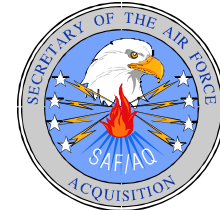


FOCUS GROUP 3: INFRASTRUCTURE

- **OSD GOAL - REDUCE RATIO OF LOGISTICS FUNDING TO TOTAL OBLIGATION AUTHORITY FROM 34% (BASELINE FY96) TO:**
 - **FY00: 32%**
 - **FY01: 31%**
 - **FY05: 25%**
- **TASK: DEVELOP AF STRATEGY TO ACHIEVE GOALS**
 - **ACTIONS / MILESTONES**
 - **BARRIERS / ENABLERS**
 - **PROCESS**
 - **REGULATORY**
 - **STATUTORY**
- **TEAM LEAD RECOMMENDATION: HQ AFMC/XPP**



FOCUS GROUP 4: PPBS / BUDGET



- **GIVEN OSD GOALS FOR**
 - **CAIV THRESHOLDS**
 - **REDUCTION OF:**
 - **FIELDDED SYSTEM O&S**
 - **INFRASTRUCTURE COST**
 - **ACQUISITION / LOGISTICS CYCLE TIME**
- **WHAT PPBS CHANGES ARE REQUIRED TO FACILITATE**
- **ACHIEVEMENT OF OSD GOALS**
 - **ACTIONS / MILESTONES**
 - **BARRIERS / ENABLERS**
 - **PROCESS**
 - **REGULATORY**
 - **STATUTORY**
- **TEAM LEAD RECOMMENDATION: Mr Bernie Josten**

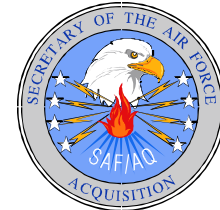


FOCUS GROUP 5: CYCLE TIME

- **OSD GOAL - REDUCE**
 - **ACQUISITION CYCLE TIME BY 50% (FY99 NEW STARTS / HISTORICAL AVERAGE)**
 - **LOGISTICS RESPONSE TIME BY 50% BY FY 2000 (36 TO 18 DAYS / FY 97 BASELINE)**
 - **REPAIR CYCLE TIME FOR END ITEMS / REPAIRABLE PARTS**
 - **FY00: 10%**
 - **FY01: 25%**
 - **FY97 BASELINE**
- **TASK: DEVELOP AF STRATEGY TO ACHIEVE GOALS**
 - **ACTIONS / MILESTONES**
 - **BARRIERS / ENABLERS**
 - **PROCESS**
 - **REGULATORY**
 - **STATUTORY**
- **TEAM LEAD RECOMMENDATION: HQ AFMC & SAF/AQ**



CHALLENGES / FUTURE INITIATIVES



- CHALLENGES: IN WORK
 - OPERATIONAL VALUE / TOC LINKAGE - CORONA SOUTH JAN 99
 - ACQUISITION REFORM: TOC / MOD PROCESS REINVENTION
 - CORONA AFMC/CC "JUMP START" INITIATIVE
- INSTITUTIONALIZE R-TOC FOR DEFENSE SYSTEMS
 - PILOTS
 - EXPANDED PILOTS
 - ALL OTHER AF PROGRAMS



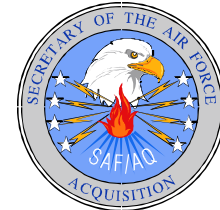
HOMESWORK ASSIGNMENTS

- READ DEFENSE CONVERSION- DR. GANSLER
 - INSIGHT, EXPECTATIONS FOR REVOLUTION IN MILITARY AFFAIRS
- READ THE GOAL - GOLDRATT
 - WHO IS "HERBIE"?
 - LEARN THEORY OF CONSTRAINTS AND HOW TO BE A "JONAH" FOR YOUR ORGANIZATION
 - INTERRELATIONSHIP OF INVENTORY, THROUGHPUT, BOTTLENECKS
- PREPARE YOUR FOCUS GROUP (8-9 DEC 98)
 - MORE INFO TO FOLLOW (POSTED ON R-TOC WEB SITE: WWW.AQF.DRC.COM)

ACTION ITEMS

R-TOC OFFSITE

27 OCT 98



R-TOC Offsite Action Items

- Action #1: AFCAA take AFTOC brief and demo to AFMC/FM.
 - OPR: AFCAA, AFMC/FM
- Action#2: Clarify to SAF/AQ the “color of money” issue related to SBIRS High increase of \$160M with no increase in capability
 - OPR: SBIRS Program Office